

CITY OF BAINBRIDGE ISLAND, WASHINGTON

RESOLUTION NO. 2011-04

A RESOLUTION relating to Local Improvement District No. 22; fixing the amount, form, date, interest rate and maturity of the Local Improvement District No. 22 Bond; providing for the sale and delivery thereof to U.S. Bank National Association, Seattle, Washington; and fixing the interest rate on Local Improvement District No. 22 assessment installments.

ADOPTED: April 13, 2011

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RESOLUTION NO. 2011-04

A RESOLUTION relating to Local Improvement District No. 22; fixing the amount, form, date, interest rate and maturity of the Local Improvement District No. 22 Bond; providing for the sale and delivery thereof to U.S. Bank, N.A., Seattle, Washington; and fixing the interest rate on Local Improvement District No. 22 assessment installments.

THE CITY COUNCIL OF THE CITY OF BAINBRIDGE ISLAND, WASHINGTON, DOES RESOLVE AS FOLLOWS:

Section 1. Findings. The City Council hereby makes the findings and determinations set forth in this Section 1. Capitalized terms are defined in Section 2 of Ordinance No. 2010-33 of the City, passed on October 27, 2010 (the "Bond Ordinance") and in Section 2 of this resolution.

(a) Pursuant to Ordinance No. 2010-32, passed October 13, 2010, the City created Local Improvement District No. 22 to finance a portion of the costs of the Project.

(b) The Owners of the Property have entered into the Agreement with the City, pursuant to which a total of \$1,000,000 of the costs of the Project will be financed with local improvement district bonds.

(c) The total amount of the assessment roll in the LID, as reflected in Ordinance No. 2011-01, passed February 9, 2011, confirming the final assessment roll, was \$1,000,000. The notice of collection of final assessments was first published on March 4, 2011 and the 30 day period for making cash prepayments of assessments without interest expired on April 4, 2011. The total amount of assessments paid in cash was \$244,700.21, leaving a balance of assessments unpaid on the assessment roll in the sum of \$755,299.79.

(d) U.S. Bank, N.A., of Seattle, Washington, has presented a purchase contract to the City offering to purchase the Bond under the terms and conditions provided in the written Bond Purchase Contract, which is on file with the City Clerk and is incorporated by this reference.

(e) The Council finds that it is in the best interest of the City to issue, sell and deliver the local improvement district bond authorized in Ordinance No. 2010-33 and described in this resolution for the purpose of providing long-term financing for a portion of the Project.

Section 2. Definitions. The definitions provided in Ordinance No. 2010-33 of the City, passed on October 27, 2010 (the "Bond Ordinance") are incorporated by this reference. In addition, as used in this resolution, the following words shall have the following meanings:

"Bond Legislation" means, with respect to the Bond, this Bond Sale Resolution and the Bond Ordinance.

"Bond Ordinance" means Ordinance No. 2010-33 of the City, passed on October 27, 2010.

"Bond Purchase Contract" the Bond Purchase Agreement for the Bond, dated the date hereof, by and between the Purchaser and the City.

"Bond Sale Resolution" means this resolution of the City Council approving and fixing the par amount, date, form, maturity, interest rate and other terms and covenants of the Bond and approving its issuance and sale to the Purchaser.

"Bond" means, for purposes of this resolution, the City's Local Improvement District No. 22 Bond, 2011, authorized to be issued pursuant to the Bond Legislation.

"Business Day" means any day except a Saturday, a Sunday, a legal holiday, a day on which the offices of banks in Washington or New York are authorized or required by law or executive order to remain closed, or a day on which the New York Stock Exchange is closed.

"LID Bond Fund" means the special fund created by this resolution for the deposit of LID Assessments as they are paid and for the payment of the principal of and interest on the Bond.

"Maturity Date" means May 15, 2023.

"Principal and Interest Payment Date" means each May 15, commencing May 15, 2012 to the Maturity Date or earlier prepayment of the Bond.

"Purchaser" means U.S. Bank National Association of Seattle, Washington.

Section 3. Authorization and Description of Bond. The City shall issue its Local Improvement District No. 22 Bond, 2011 in the total principal sum of \$755,299.79. The Bond shall be dated its date of initial delivery and shall mature on the Maturity Date. It shall include any designation as the Bond Registrar deems necessary for the purpose of identification. The Bond shall bear interest on the outstanding principal amount from its date to the maturity or earlier redemption, at a rate of 4.56% per annum, calculated on the basis of a 360-day year with twelve 30-day months. Principal of and interest on the Bond shall be payable as described in Section 5, below.

Section 4. Bond Registrar; Registration and Transfer of Bond. The Finance Director is appointed Bond Registrar for the Bond. The Bond Registrar shall keep, or cause to be kept, sufficient books for the registration and transfer of the Bond. The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver the Bond if it should be transferred or exchanged in accordance with the provisions of the Bond and this Resolution, to serve as the City's paying agent for the Bond and to carry out all of the Bond Registrar's powers and duties under the Bond Legislation and under Resolution No. 83-10 establishing a system of registration for the City's bonds and obligations.

The Bond shall be issued only in registered form as to both principal and interest and shall be recorded on the Bond Register. The Bond Register shall contain the name and mailing address of the owner of the Bond. The Bond may be assigned or transferred only in whole by the registered owner to a single investor that is a financial institution or a person who is reasonably believed to be a qualified institutional buyer or accredited investor within the meaning of the applicable federal securities laws. Any transfer shall be without cost to the owner or transferee, except for governmental charges imposed on any such transfer or exchange. The Bond Registrar shall not be obligated to exchange or transfer any Bond during the 15 days preceding any Principal and Interest Payment Date. When the Bond has been paid in full, both principal and interest, the Bond shall be surrendered by the registered owner to the Bond Registrar, who shall cancel the Bond.

Section 5. LID Bond Fund; Payment of Bond. The LID Bond Fund is established in the office of the Finance Director as a special fund for the purpose of paying principal of and interest on the Bond. All LID Assessments collected for the payment of the principal of and interest on the Bond shall be deposited in the LID Bond Fund in accordance with Section 14 of the Bond Ordinance. The Bond is payable solely out of the LID Bond Fund and the Guaranty Fund in the manner provided by law and as set forth in Section 7, below.

Interest on the Bond shall be paid in annual payments on each Principal and Interest Payment Date. The City expects to make annual redemption payments of principal as set forth in the expected amortization schedule attached to this resolution as Exhibit A, and principal of the Bond is payable on the Maturity Date, unless prepaid under Section 9. On each Principal and Interest Payment Date, the City will apply all amounts remaining in the LID Bond Fund, after payment of accrued interest, to the prepayment at par of the outstanding principal amount of the Bond. The City may use any other money legally available to prepay all, or any portion of the outstanding principal amount of the Bond on any Business Day without additional bank fees. Interest on the Bond, or the portion of the principal thereof so prepaid, shall cease to accrue on the date of repayment. The expected amortization schedule shall be recalculated upon any prepayment, as set forth in Section 9.

Payments of principal of and interest on the Bond shall be paid by electronic fund transfer on each Principal and Interest Payment Date, or by checks or drafts mailed to the registered owner on the Principal and Interest Payment Date at the address appearing on the Bond Register on the 1st day of the month preceding each Principal and Interest Payment Date. On the Maturity Date, any remaining unpaid principal and interest shall be paid upon presentation and surrender of the Bond by the registered owner to the Bond Registrar.

Section 6. Pledge of Assessment Payments. The LID Assessments, together with interest and penalties on such LID Assessments, if any, are pledged to the payment of the Bond. Both principal of and interest on the Bond shall be payable solely out of the LID Bond Fund and the Guaranty Fund of the City, and shall be payable in lawful money of the United States of America. In accordance with RCW 35.45.070, neither the holder nor owner of any bond, interest coupon, warrant, or other short-term obligation issued against the LID Bond Fund shall have any claim therefor against the City except for payment from the LID Assessments and for payment from the Guaranty Fund. The City is not liable to the holder or owner of the bond for any loss to

the Guaranty Fund occurring in the lawful operation thereof. The Bond is not a general obligation of the City.

Section 7. Deposit of Bond Proceeds; Guaranty Fund. On the date of closing, proceeds received from the sale and delivery of the Bond shall be deposited into the Guaranty Fund so that the total balance therein equals ten percent of the par amount of the Bond (\$75,529.98). The remaining Bond proceeds shall be deposited, invested and applied as set forth in Section 14 of the Bond Ordinance.

The City covenants to maintain on deposit in the Guaranty Fund, from LID Assessments paid or prepaid or from proceeds of the Bond or other available sources, an amount equal to the least of (1) maximum amount of annual debt service guaranteed by that Fund in any calendar year during which the Bond is scheduled to remain outstanding, (2) 125% of the average annual debt service guaranteed by that fund during the period from the date of calculation to the scheduled maturity of the Bond, and (3) 10% of the par amount of the bonds guaranteed by that fund. The City covenants to take such action as may be necessary consistent with state law to maintain that minimum balance in the Guaranty Fund for so long as the Bond remains outstanding.

Section 8. Failure to Pay; No Acceleration. If the Bond (or any principal installment with respect thereto) is not paid when due, the City shall be obligated to pay, from the sources identified herein and pledged thereto, interest on that unpaid principal at the same rate provided in the Bond until that installment, together with interest, is paid in full or until sufficient money for its payment in full is on deposit in the LID Bond Fund and the principal represented by such installment has been called for payment by giving notice of that call to the Registered Owner. The Bond is not subject to acceleration upon the occurrence of a payment default.

Section 9. Prepayment and Early Redemption Provisions. The City reserves the right and option to prepay and redeem at any time all or a portion of the principal amount of the Bond then outstanding at par plus accrued interest to the date of prepayment and redemption. The City may make such prepayments of principal on any Principal and Interest Payment Date when there is sufficient money in the LID Bond Fund over and above the amount required to be paid on that Principal and Interest Payment Date. Interest on the Bond or the portion thereof so prepaid shall cease to accrue on the date of such prepayment. In addition, the City may use any other money legally available to prepay all, or any portion of the outstanding principal amount of the Bond on any Business Day. There shall be no fee for prepayment and no advance notice shall be required. Upon any prepayment of principal, the remaining annual installments shall be recalculated to reflect a reduction in the last principal installments scheduled to be paid on the Bond. Within 7 business days after any prepayment, the City shall provide to the Bank a recalculated payment schedule acceptable to the Bank.

Section 10. Representations and Covenants. In addition to those covenants set forth in the Bond Ordinance, for as long as the Bond remains outstanding, the City covenants with the Purchaser as follows:

(a) Within 330 days after the end of each of its fiscal years, the City shall provide the Bank with a copy of each of the City's final, annual audited financial statements but

if not available within 330 days after the end of each fiscal year, the City shall provide a copy of its unaudited financial statements.

(b) The City shall notify the Bank promptly of any development which is determined by the City to be likely to have a material, adverse effect on the financial condition of the City.

(c) Specific reference is made to the covenants set forth in the Bond Ordinance, including but not limited to: Section 11 ("Preservation of Tax Exemption for Interest"), and Section 12 ("Designation of Bond as a 'Qualified Tax-Exempt Obligation'").

Section 11. Form and Execution of Bond. The Bond shall be prepared in a form consistent with the provisions of the Bond Legislation and state law, shall be signed by the Mayor and the City Clerk, either or both of whose signatures may be manual or in facsimile, and the seal of the City or a facsimile reproduction thereof shall be impressed or printed thereon.

The Bond shall bear a Certificate of Authentication in the following form, manually signed by the Bond Registrar, and only if so executed shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance: "This Bond is the fully registered City of Bainbridge Island, Washington, Local Improvement District Bond, 2011 described in the Bond Legislation." The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of the Bond Legislation.

If any officer whose manual or facsimile signature appears on the Bond ceases to be an officer of the City authorized to sign bonds before the Bond bearing his or her manual or facsimile signature is authenticated or delivered by the Bond Registrar or issued by the City, that Bond nevertheless may be authenticated, issued and delivered and, when authenticated, issued and delivered, shall be as binding on the City as though that person had continued to be an officer of the City authorized to sign bonds. The Bond also may be signed on behalf of the City by any person who, on the actual date of signing of the Bond, is an officer of the City authorized to sign bonds, although he or she did not hold the required office on the date of issuance of the Bond.

Section 12. Interest Rate on Assessments. The interest rate on the installments of the special assessments in the LID is revised and fixed at the rate of 5.81% per annum (the bond interest rate plus 125 basis points). Delinquent assessments shall additionally be subject to a penalty at the rate set forth in Section 3.48.100 of the Bainbridge Island Municipal Code, currently 5%.

Section 13. Approval of Bond Purchase Contract; General Authorization. The Purchaser has presented a purchase contract to the City offering to purchase the Bond under certain terms and conditions, a copy of which is on file with the City Clerk. The City Council finds that entering into the Bond Purchase Contract is in the City's best interest and therefore accepts the offer contained therein and authorizes and directs the City Manager to execute the Bond Purchase Contract, which such changes as may be deemed appropriate in consultation with bond counsel. The Bond will be printed at City expense and will be delivered to the purchaser in

accordance with the Bond Purchase Contract, together with the approving legal opinion of Foster Pepper PLLC, municipal bond counsel, regarding the Bond. The City shall pay the Purchaser's initial set-up fee and the other fees set forth in the Bond Purchase Contract. The proper City officials are authorized and directed to do everything necessary for the prompt delivery of the Bond to the purchaser and for the proper application and use of the proceeds of the sale thereof.

Section 14. Effective Date. This resolution shall take effect immediately upon its adoption by the City Council. The covenants contained in this resolution and the Ordinance shall constitute a contract between the City and the registered owner of the Bond.

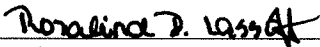
PASSED by the City Council this 13th day of April, 2011.

APPROVED by the City Council this 13th day of April, 2011.



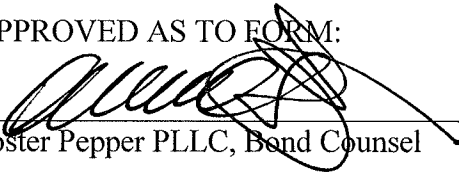
Kirsten Hytopoulos, Mayor

ATTEST/AUTHENTICATE:



Rosalind D. Lassoff, City Clerk

APPROVED AS TO FORM:



Foster Pepper PLLC, Bond Counsel

FILED WITH THE CITY CLERK:

April 8, 2011

PASSED BY THE CITY COUNCIL:

April 13, 2011

**City of Bainbridge Island
Local Improvement District No. 22 Bond, 2011**

Expected Bond Amortization Schedule

Payment Date (May 15)	Principal	Interest	Total P&I	Outstanding Balance
2011	—	—	—	\$755,299.79
2012	\$70,299.79	\$36,355.10	\$106,654.89	685,000.00
2013	70,000.00	31,236.00	101,236.00	615,000.00
2014	70,000.00	28,044.00	98,044.00	545,000.00
2015	70,000.00	24,852.00	94,852.00	475,000.00
2016	70,000.00	21,660.00	91,660.00	405,000.00
2017	65,000.00	18,468.00	83,468.00	340,000.00
2018	65,000.00	15,504.00	80,504.00	275,000.00
2019	65,000.00	12,540.00	77,540.00	210,000.00
2020	65,000.00	9,576.00	74,576.00	144,999.99
2021	65,000.00	6,612.00	71,612.00	79,999.99
2022	40,000.00	3,648.00	43,648.00	39,999.99
2023	40,000.00	1,823.99	41,823.99	0.00

CERTIFICATION

I, the undersigned, City Clerk of the City of Bainbridge Island, Washington (the "City"), hereby certify as follows:

1. The attached copy of Resolution No. 2011-04 (the "Resolution") is a full, true and correct copy of an Resolution duly passed at a regular meeting of the City Council of the City held at the regular meeting place thereof on April 13, 2011, as that Resolution appears on the minute book of the City; and the Resolution will be in full force and effect from and after its date of adoption; and

2. A quorum of the members of the City Council was present throughout the meeting and a majority of the Council members voted in the proper manner for the passage of the Resolution.

IN WITNESS WHEREOF, I have hereunto set my hand this 13th day of April, 2011.

CITY OF BAINBRIDGE ISLAND,
WASHINGTON

Rosalind D. Lassoff
Rosalind Lassoff, City Clerk